

# "CIA" SHIP'S TAX PROBLEM

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A Coast Guard spokesman also had no comment about the certificates for either the Glomar Explorer or the HMB-1.

In addition to the barge, Lockheed had related equipment worth \$20.6 million at the Redwood City site in 1973. The next year, the barge was still there, but the equipment had dropped down to \$1.5 million.

"We have no way of knowing where the machinery went," said assessor Estes. "But it wasn't here on the (March 1, 1974) lien date, and the barge was."

"That's a hell of a depreciation, isn't it?" Schick said of the disappearing equipment. He again had no comment when asked if it went to the Glomar Explorer. And he refused to say when asked what else Lockheed does in Redwood City.

The California assessments are not the only tax issue involved. According to a report in the Los Angeles Times, a Summa Corp. security guard, Mike Davis, said he saw a secret memo about the CIA's sub-raising plan last year, apparently left behind by burglars who overpowered him at the Hughes company's communication center in Hollywood.

Davis was quoted as saying that the memo stated that "President Nixon knew about it and that the IRS would look the other way on how the money was being put in."

According to the Los Angeles Times, Davis, who refused to take a lie detector test after

the burglary, said he held onto the memo, then tore it up and flushed it down a toilet about a month ago "when all the publicity began to break on the submarine business."

In Washington, IRS officials denied any agreement "to look the other way" on the financing for the Glomar Explorer. Burke W. Willsey, a top assistant to IRS Commissioner Donald C. Alexander, said their only agreement with the CIA involves the assignment of IRS agents with top-secret clearances to any tax audit that seems likely to uncover a CIA undertaking.

The way it works, Willsey said, is that when IRS agents, in Los Angeles for example, are examining the books of a company that works with the CIA, company officials "will call the CIA and say, 'the IRS is getting close. Do something.'"

"Then the CIA calls the assistant IRS commissioner in charge of compliance and says, 'Your people in Los Angeles are about to uncover a covert operation.' We have experienced people here with the necessary clearances. They go out to look at the transactions involved and make the appropriate tax determinations."

Willsey estimated that this happens "10 to 15 times a year at most." He declined to comment on the Glomar Explorer question, but indicated that in the normal course of activities, IRS agents will be poring over Summa's books sometime this year.

CIA payments to any company, Willsey added, "must be reported as ordinary income. It's fully taxable. Of course, if the government just reimbursed a company for its expenses, there wouldn't be any taxation. But if a company made a profit on the transaction, they'd have to pay taxes."